

## **Commission Meeting Agenda**

### **Commission Meetings are Open to the Public**

Visit our web site at [www.wsgc.wa.gov](http://www.wsgc.wa.gov)

#### **Location of Meeting:**

**Phoenix Inn Suites**  
415 Capitol Way North  
Olympia, WA 98501  
(360) 570-0555

#### **Date and Time of Meeting:**

Thursday, February 9, 2006  
1:30 p.m.

#### **Informal Study Group Sessions:**

10:00 a.m. – Noon Combined Charitable Nonprofit Operators & Commercial Operators  
Study Group

#### **Public Meeting:**

Please note agenda items after 1:30 p.m. may be taken out of sequence at the discretion of the Chair.

**Staff Accomplishments:** Travis Vessey 5-year service recognition; Gail Grate 30-year service recognition.

#### **1. Agenda Review / Director's Report:**

##### Administrative Issues:

- a) Presentation: Public Opinion Survey Report **1:30 p.m.**  
**Paul O. Stern**, Senior Research Associate, WA State University
- b) 2006 Legislative Session **Amy Hunter, Administrator**
  - Legislative Update – Summary of 2006 Legislation
  - HB 1944 – State employee raffles
  - HB 2508 – Tribal community impact
  - HB 2657 – Tribal-state gaming compacts
  - HB 2872 / SB 6523 – Minimum age for gambling
  - HB 3129 / SB 6301 – Off-reservation tribal gaming
  - HB 3176 – Changing taxation on punch boards and pull-tabs
  - HB 3191 / HB 3285 – Exemption for nonprofit bingo operations from gambling tax
  - HB 3209 / SB 6615 – Social card games
  - SB 6613 – Internet gambling  
(letter to Chair Kohl-Welles regarding Commission support of bill)
  - SB 6856 – Indian gaming regulatory act
  - SCR 8417 – Establishing a committee on gambling policy setting

**Please turn telephones and pagers off during meeting sessions**

c) Correspondence:

- Letter to Governor Gregoire regarding S 1295 and NIGC authority

d) Monthly Update Reports:

- Administrative Case Update
- Seizure Update
- Congressional Update

e) News Articles

**Comments from the Public**

2. **New Licenses and Tribal Certifications:**

**Dave Trujillo, Assistant Director**

3. **Other Business/General Discussion/Comments from the Public**

4. **Executive Session to Discuss Pending Investigations, Tribal Negotiations & Litigation**

**Adjournment**

Upon advance request, the Commission will pursue reasonable accommodations to enable persons with disabilities to attend Commission meetings. Questions or comments pertaining to the agenda and requests for special accommodations should be directed to Shirley Corbett, Executive Assistant at (360) 486-3447 or TDD (360) 486-3637. Questions or comments pertaining to rule changes should be directed to Susan Arland, Rules Coordinator and Public Information Officer at (360) 486-3466.

**Commission Meeting Agenda**  
**Commission Meetings are Open to the Public**  
Visit our web site at [www.wsgc.wa.gov](http://www.wsgc.wa.gov)

**Location of Meeting:**

**Phoenix Inn Suites**  
415 Capitol Way North  
Olympia, WA 98501  
(360) 570-0555

**Date and Time of Meeting:**

Friday, February 10, 2006  
9:30 a.m.

5. **Approval of Minutes:** Regular Meeting, January 12 & 13, 2006

**Rules Up for Final Action**

6. **Petition for Rule Change – Monty Harmon. Cash Defined Cally Cass, Asst. Director**  
*Filed on 08/24/05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #05-17-204. Filed 10/26/05 as a Proposed Rule Making (CR-102) under WSR # 05-22-028 with a published date of 11/16/05.*
- a) **New Section WAC 230-02-101**  
Cash defined.
  - b) **Staff's Alternative**  
**Amendatory Section WAC 230-12-050**  
Extension of credit, loans, or gifts prohibited -- Limited exception.
7. **Activity Reports - Bingo, Raffles & Amusement Games Dave Trujillo, Asst. Director**  
*Filed on 08/31/05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #05-18-037. Filed 11/21/05 as a Proposed Rule Making (CR-102) under WSR # 05-23-130 with a published date of 12/07/05.*
- a) **Amendatory Section WAC 230-08-120**  
Quarterly activity report by operators of bingo games (license Class D and above).
  - b) **Amendatory Section WAC 230-08-125**  
Annual activity reports -- Certain activities operated by charitable or nonprofit Organizations.
  - c) **Amendatory Section WAC 230-08-180**  
Annual activity reports by commercial amusement game operators.

**Please turn telephones and pagers off during meeting sessions**

**d) Amendatory Section WAC 230-08-250**

Annual activity reports by agricultural fairs and other bona fide charitable or nonprofit organizations with special location licenses to conduct bingo, raffles, and amusement games.

**Rules Up for Discussion**

**8. Petition for Rule Change – Punchboard & Pull-Tab Service Business**

*Filed on 12/07/05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #05-24-096. Filed 01/26/06 as a Proposed Rule Making (CR-102) under WSR # 06-04-040 with a published date of 02/15/06.*

**Dave Trujillo, Asst. Director**

**a) Amendatory Section WAC 230-02-205**

Gambling service supplier defined.

**b) Amendatory Section WAC 230-02-208**

Punch board and pull-tab service business defined.

**c) Amendatory Section WAC 230-04-133**

Punch board and pull-tab service business – Registration required –  
Procedures – Restrictions.

**9. Petition for Rule Change – Card Room Pit Supervision**

**Cally Cass, Asst. Director**

*Filed on 12/07/05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #05-24-095. Filed 01/26/06 as a Proposed Rule Making (CR-102) under WSR # 06-04-041 with a published date of 02/15/06.*

**a) Amendatory Section WAC 230-40-815**

Administrative and accounting control structure – Organization – House-banking.

**10. Rules Simplification Project**

**Beth Heston, Project Manager**

*Filed on 06/07/05 as a Pre-Proposal Statement of Inquiry (CR-101) under WSR #05-13-042. Filed 01/26/06 as a Proposed Rule Making (CR-102) under WSR # 06-04-057 with a published date of 02/15/06.*

**a) Chapter 230-03-001 through 230-03-340 – Permitting and Licensing**

**b) Chapter 230-05-001 through 230-05-035 – Fees**

**11. Other Business/General Discussion/Comments from the Public/Adjournment**



## Rule Up For Final Action

Proposed New Section

WAC 230-02-101

Cash defined.

ITEM 6(a) on the February 10, 2006, Commission Meeting Agenda.		Statutory Authority 9.46.070
<b>Who proposed the rule change?</b>		
Monty Harmon, a licensed gambling service supplier.		
<b>Why is this rule change proposed?</b>		
<p>A Petition for Rule Change submitted by Harmon Consulting Inc., was filed at the October 2005, meeting. The Petitioner is requesting that cash be defined in our rules. This new definition of cash would expand the methods players could use to participate in gambling activities and/or receive their winnings.</p> <p>The petitioner has indicated to staff that the intent of the change is to allow patrons to use “guest cards” to purchase pull-tabs and allow pull-tab winnings to be added to “guest cards.” However, if this proposal is approved it would apply to all gambling activities. The petitioner states in his petition the change would modernize the industry and take advantage of current security benefits of prepaid cashless systems.</p> <p>Cash is not specifically defined in our rules; however, cash equivalent is defined in WAC 230-40-552 as follows: “a treasury check, personal check, traveler's check, wire transfer of funds, money order, certified check, cashier's check, a check drawn on the licensee's account payable to the patron or to the licensee, or a voucher recording cash drawn against a credit card or debit card.” This rule became effective May 2000 and provided for additional methods of payment to participate in card games, other than cash or personal check. Although the cash equivalent definition only applies to card games, it has been informally used by staff to clarify the definition of cash as it relates to other gambling activities.</p> <p>The petitioner's intent is for the “guest card” to be purchased and used by patrons at a licensed business. The “guest card” could be used to purchase food, beverages, pull-tabs, and/or participate in other gambling activities. A patron may add additional funds to the “guest card.” Most importantly, licensees may add a player's winnings to the “guest card” rather than paying with cash or a check. The “guest card” would be redeemable for cash at anytime. There would be an accounting system associated with this activity to ensure the accuracy of the customer's “guest card” balance. The system would also provide a “guest card” fund balance to patrons.</p> <p><b>Staff opposes the petition for the following reasons:</b></p> <p>Standards must be developed for an accounting system that interacts with gift cards and gambling activities</p> <p>Rules must be reviewed to determine other necessary changes and the impact on other gambling activities</p> <p>It would be difficult for staff to verify whether winnings are credited accurately to gift cards</p> <p>It would apply to all gambling activities, not just pull-tabs</p> <p>It would allow pull-tab winnings to be credited to “guest cards”</p> <p><b>Changes after the November 2005, Commission Meeting:</b> At the request of the Petitioner, this rule was held over from the January Commission meeting for Final Action at the February Commission meeting.</p> <p><b>Staff's Alternative</b> (on blue paper): Currently, cash, checks and electronic point-of-sale bank transfers (debit cards) are authorized forms of payment to participate in gambling activities (WAC 230-12-050). Gift cards are prepaid and are treated the same as cash. Staff has no regulatory concerns allowing gift certificates or gift cards to be used as payment to participate in gambling activities. Staff will be presenting an alternative for filing at the March meeting which would allow gift certificates/cards as authorized forms of payment to participate in gambling activities; however, gambling winnings would not be allowed to be added to gift certificates/cards.</p>		
<b>Statements against the proposed rule change.</b>		
None at this time.		
<b>Which licensees will be directly impacted?</b>		
All licensees.		
<b>What are the potential impacts to the agency?</b>		
See “Staff opposes the petition for the following reasons” above for impacts.		
<b>Staff recommendation.</b>		
Staff continues to oppose the petition and recommends the Commission deny the Petition in favor of staff's alternative which will be presented for filing at the March 10, 2006, Commission meeting.		



**NEW SECTION:**

**November 2005, Commission Meeting Version**

**WAC 230-02-101 Cash Defined.**

“Cash” is any currency, check, or debit card transaction valued in terms of the US dollar. For purposes of these rules, Canadian currency shall be converted in accordance with the published exchange rates for financial reporting purposes but may be recorded in terms of Canadian or US dollars as long as the records clearly identify the currency used.

In addition, licensees with accounting systems approved by the Gambling Commission may use transactions on “guest cards” and other “cashless” systems as cash transactions for purposes of conducting their business and gambling operations. The systems can not be used for credit transactions and would operate in the same manner as a debit card. Customer purchases would reduce their account balance and their winnings could be added to their balance. Licensees using a “guest card” or “cashless” system must maintain the system so that customer balances could never go below a zero balance even for non gambling purchases or transactions.

**STAFF'S ALTERNATIVE**  
**Up for filing at the February 2006, Commission Meeting**

**AMENDATORY SECTION:**

**WAC 230-12-050 Extension of credit, loans, or gifts prohibited -- Limited exception.**

No licensee, member or employee thereof shall extend credit, make a loan, or grant a gift to any person playing in an authorized gambling activity, or which enables a person to play in an authorized gambling activity.

**Gifts prohibited -- Exceptions.**

(1) Gifts are items licensees give away to its customers and are not connected to gambling activities regulated by the commission. Licensees shall not offer gifts in conjunction with gambling activities, with the following exceptions:

- (a) Promotions are allowed as authorized by WAC 230-12-045;
- (b) Transportation services provided to and from gambling activities;
- (c) Free or discounted food, drink or merchandise may be provided under the following conditions:
  - (i) The actual cost of any individual item may not exceed five hundred dollars;
  - (ii) The merchandise shall not be traded back to the licensee for cash or be used to further participate in an authorized gambling activity;
- (d) For each individual gift with an actual cost over one hundred dollars, charitable and nonprofit organizations shall prepare and maintain a written record with the following information:
  - (i) How the recipients of the gifts were selected;
  - (ii) The number of gifts awarded; and
  - (iii) The total cost of each gift given.

**Credit and loans prohibited -- Exceptions.**

(2) The consideration required to participate in the gambling activity shall be collected in full, by cash, check, ((ø¶)) electronic point-of-sale bank transfer, gift certificate, or gift card, prior to participation, with the following exceptions:

**Punch boards/pull-tabs.**

(a) The consideration paid for the opportunity to play a punch board or pull-tab series may be collected immediately after the play is completed only when such consideration is ten dollars or less;

**Charitable/nonprofit organization's billing system for members.**

(b) When a bona fide charitable or bona fide nonprofit organization conducting any of the activities authorized by chapter 9.46, RCW or commission rules has a regular billing system for all of the activities of its members with such organization, such billing system may be utilized in connection with the playing of any of the activities authorized hereunder if:

- (i) The playing of such activity is limited to regular members of such organization who have become regular members prior to the commencement of such activity and whose qualifications for membership were not dependent upon, or in any way related to, the playing of such activity; and
- (ii) The director has given prior written consent to the use of such billing system in connection with the conduct of activities authorized under these rules.

**Raffle tickets purchased with credit cards.**

(c) Charitable or nonprofit organizations utilizing credit cards, issued by a state and/or federally regulated financial institution, for payment to participate in raffles.





# Rule Up For Final Action

Proposed Amendments to

## WAC 230-08-120

Quarterly activity report by operators of bingo games (license Class D and above).

**ITEM 7 (a) on the February 10, 2006, Commission Meeting Agenda.**

**Statutory Authority 9.46.070**

### Who proposed the rule change?

Staff.

### Why is this rule change proposed?

This rule describes who must complete this form, when the form is due, who must sign the form, and describes each line item of the form for bingo licensees class D and above. Currently, each line item on the report is specifically identified in the WAC, such as gross gambling receipts, prizes paid, net gambling receipts, full details of all expenses, allocation methods used, net income, attachments to be included with the report, etc. Changes to the form cannot be made unless the WAC is changed.

Earlier in 2005, the Commissioners approved streamlined financial activity reporting rules for commercial operators by eliminating the listing of each specific item to be reported. Instead, the rule states that instructions will provide the details on what needs to be reported.

The change will make financial reporting for charitable and nonprofit organizations consistent with reporting requirements for commercial operators.

This change will facilitate progress toward future online activity reporting for charitable and nonprofit organizations.

### Statements against the proposed rule change.

None

### Which licensees will be directly impacted?

Bingo licensees class D and above

### What are the potential impacts to the agency?

Minimal.

### Staff recommendation.

Adoption.

### Proposed effective date.

March 13, 2006, assuming the rule is adopted at the February 10, 2006, Commission meeting to become effective 31 days from filing.



# Rule Up For Final Action

Proposed Amendments to

## WAC 230-08-125

Annual activity reports- Certain activities operated by charitable or nonprofit organizations.

**ITEM 7 (b) on the February 10, 2006, Commission Meeting Agenda.**

**Statutory Authority 9.46.070**

**Who proposed the rule change?**

Staff.

**Why is this rule change proposed?**

This rule describes who must complete this form, when the form is due, who must sign the form, and describes each line item of the form. Currently, each line item on the report is specifically identified in the WAC, such as gross gambling receipts, prizes paid, net gambling receipts, full details of all expenses, allocation methods used, net income, etc. Changes to the form cannot be made unless the WAC is changed.

Earlier in 2005, the Commissioners approved streamlined financial activity reporting rules for commercial operators by eliminating the listing of each specific item to be reported. Instead, the rule states that instructions will provide the details on what needs to be reported.

The change will make financial reporting for charitable and nonprofit organizations consistent with reporting requirements for commercial operators.

This change will facilitate progress toward future online activity reporting for charitable and nonprofit organizations.

**Statements against the proposed rule change.**

None.

**Which licensees will be directly impacted?**

Charitable or nonprofit organizations licensed to operate raffles, amusement games, Class A, B, or C bingo games, or combination license.

**What are the potential impacts to the agency?**

Minimal.

**Staff recommendation.**

Adoption.

**Proposed effective date.**

March 13, 2006, assuming the rule is adopted at the February 10, 2006, Commission meeting to become effective 31 days from filing.



# Rule Up For Final Action

Proposed Amendments to

**WAC 230-08-180**

Annual activity reports by commercial amusement game operators.

**ITEM 7 (c) on the February 10, 2006, Commission Meeting Agenda.**

**Statutory Authority 9.46.070**

**Who proposed the rule change?**

Staff.

**Why is this rule change proposed?**

This rule describes who must complete this form, when the form is due, who must sign the form, and describes each line item of the form for commercial amusement game operators. Currently, each line item on the report is specifically identified in the WAC, such as gross gambling receipts, prizes paid, net gambling receipts, full details of all expenses, allocation methods used, net income, etc. Changes to the form cannot be made unless the WAC is changed.

Earlier in 2005, the Commissioners approved streamlined financial activity reporting rules for commercial operators by eliminating the listing of each specific item to be reported. Instead, the rule states that instructions will provide the details on what needs to be reported.

The change will make financial reporting for commercial organizations licensed to operate amusement games consistent with reporting requirements for other commercial operators.

This change will facilitate progress toward future online activity reporting for commercial amusement game operators.

**Statements against the proposed rule change.**

None.

**Which licensees will be directly impacted?**

Commercial amusement game operators.

**What are the potential impacts to the agency?**

Minimal.

**Staff recommendation.**

Adoption.

**Proposed effective date.**

March 13, 2006, assuming the rule is adopted at the February 10, 2006, Commission meeting to become effective 31 days from filing.



# Rule Up For Final Action

Proposed Amendments to

## WAC 230-08-250

Annual activity reports by agricultural fairs and other bona fide charitable or nonprofit organizations with special location licenses to conduct bingo, raffles, and amusement games.

**ITEM 7 (d) on the February 10, 2006, Commission Meeting Agenda.**

**Statutory Authority 9.46.070**

### Who proposed the rule change?

Staff.

### Why is this rule change proposed?

This rule describes who must complete this form, when the form is due, who must sign the form, and describes each line item of the form. Currently, each line item on the report is specifically identified in the WAC, such as gross gambling receipts, prizes paid, net gambling receipts, full details of all expenses, allocation methods used, net income, etc. Changes to the form cannot be made unless the WAC is changed.

Earlier in 2005, the Commissioners approved streamlined financial activity reporting rules for commercial operators by eliminating the listing of each specific item to be reported. Instead, the rule states that instructions will provide the details on what needs to be reported.

The change will make financial reporting for charitable and nonprofit organizations consistent with reporting requirements for commercial operators.

This change will facilitate progress toward future online activity reporting for charitable and nonprofit organizations.

### Statements against the proposed rule change.

None.

### Which licensees will be directly impacted?

Bona fide charitable or nonprofit licensees who operate bingo, raffles, and amusement games only at agricultural fairs and other special locations.

### What are the potential impacts to the agency?

Minimal.

### Staff recommendation.

Adoption.

### Proposed effective date.

March 13, 2006, assuming the rule is adopted at the February 10, 2006, Commission meeting to become effective 31 days from filing.

## Amendatory Section

**WAC 230-08-120 Quarterly activity report by operators of bingo games (license Class D and above).** Each organization licensed to conduct bingo games in Class D and above shall submit an activity report to the commission concerning the licensed activity and other matters set forth below. ~~((during each of the following periods of the year:))~~

(1) Licensees must report on activity occurring between:

- (a) January 1 through March 31;
- (b) April 1 through June 30;
- (c) July 1 through September 30, and
- (d) October 1 through December 31 of each year.

(2) ~~((If the licensee does not renew its license, then it shall file a report for the period between the previous report filed and the expiration date of its license.))~~ A report shall be submitted for any period of time the activity was operated or a license was valid. If a license was not renewed, a report for the period between the previous report and the expiration date shall be submitted;

(3) The report form shall be furnished by the commission and the completed report shall be received in the office of the commission or postmarked no later than 30 days following the end of the period for which it is made;

(4) The report shall be signed by the highest ranking officer or his/her designee. If the report is prepared by someone other than the licensee or an employee, then the preparer shall print his/her name and phone number on the report.

(5) The report shall be completed in accordance with the related instructions furnished with the report. ~~The report shall include, among other items, the following:~~

~~((—(1) The gross gambling receipts from bingo.~~

~~—(2) The total amount of cash prizes actually paid out and the total of the cost to the licensee of all merchandise prizes actually paid out. Donated prizes will be recorded at the fair market value of the prize at the time they were received by the organization.~~

~~—(3) The net gambling receipts.~~

~~—(4) Full details on all expenses directly related to bingo, including at least the following:~~

~~—(a) Wages, monies, or things of value paid or given to each person connected with the management, promotion, conduct or operation of the bingo game together with an~~

attachment setting out the following:

—(i) Name;

—(ii) Duties performed;

—(iii) Hours worked; and

—(iv) Wages, monies or things of value paid or given for conducting bingo activities. When an employee works in more than one activity, the total hours worked and total wages shall also be reported;

—(b) A statement describing the allocation method used in allocating common use expenses; and

—(c) A detailed listing of all items included under "other."

—(5) The net income.

—(6) The total number of customers participating.

—(7) The total number of sessions held.

—(8) Net income from the operation of retail sales activities operated in conjunction with bingo games.))

## Amendatory Section

**WAC 230-08-125 Annual activity reports -- Certain activities operated by charitable or nonprofit organizations.** Each charitable or nonprofit organization licensed to operate raffles, amusement games, Class A, B, or C bingo games, or combination license shall submit to the commission an annual summary of all such activities. The annual report shall be completed as follows:

(1) The report form shall be furnished by the commission, and the completed report shall be received in the office of the commission or postmarked no later than thirty days following the expiration of such organization's license year.

(2) The report shall be signed by the highest ranking officer or his/her designee. If the report is prepared by someone other than this officer, then the preparer shall include his/her name and phone number on the report;

(3) The report shall be completed in accordance with the related instructions furnished with the report. ~~((The report shall include, among other items, the following:~~

~~—(a) The gross gambling receipts from the conduct of each licensed activity;~~

~~—(b) The total amount of cash prizes actually paid out, and the total of the cost to the licensee of all merchandise prizes actually paid out for each licensed activity. Donated prizes will be recorded at the fair market value of the prize at the time they were received by the organization;~~

~~—(c) The net gambling receipts for each activity;~~

~~—(d) Full details on all expenses directly related to each activity, including all compensation paid by the licensee to each person for any work connected with the management, promotion, conduct or operation of each of the licensed activities, including a description of the work performed by that person: Provided, That RCW 9.46.0277 and WAC 230-20-070 are observed in relation to the restriction against employing persons to conduct or otherwise take part in the operation of a raffle;~~

~~—(e) The net income from each activity;~~

~~—(f) The total number of sessions conducted during the year; and~~

~~—(g) The total number of players participating in bingo games.~~

~~—(4) In addition, organizations that operate retail sales activities in conjunction with bingo games shall report the net income from such.))~~

## **Amendatory Section**

### **WAC 230-08-180 Annual activity reports by commercial amusement game**

**operators.** (License Class B and above) (1) Each licensee for the operation of commercial amusement games Class B and above shall submit an activity report to the commission concerning the operation of the licensed activity and other matters set forth below.

(2) The report form shall be furnished by the commission and the completed report shall be received in the office of the commission or postmarked no later than sixty days following the license expiration date.

(3) The report shall be signed by the highest ranking executive officer or their designee. If the report is prepared by someone other than the licensee or their employee, then the preparer's name and business telephone number must be provided.

(4) The report shall be completed in accordance with the related instructions furnished with the report. ~~((The report shall include the following:~~

~~—(a) The total gross gambling receipts;~~

~~—(b) The total cost to the licensee of all prizes awarded;~~

~~—(c) Full details of all expenses related to the purchase and operation of amusement games;~~

~~—(d) Total net gambling income;~~

~~—(5) In addition to the above, commercial amusement game licensees operating amusement games at locations on a temporary basis set forth in WAC 230-04-138 (1)(a), (d), or (e) or as authorized by WAC 230-20-670(2) shall provide for each separate location:~~

~~—(a) The name and address of the business and/or event;~~

~~—(b) The total gross gambling receipts received; and~~

~~—(c) The amount of funds distributed to the premise/location owner.))~~



## **Amendatory Section:**

**WAC 230-08-250 Annual activity reports by agricultural fairs and other bona fide charitable or nonprofit organizations with special location licenses to conduct bingo, raffles, and amusement games.** (1) Each bona fide charitable or nonprofit licensee for the operation of bingo, raffles, and amusement games conducted only at agricultural fairs and other special locations shall submit an activity report to the commission concerning the operation of the licensed activities and other matters set forth below for the period of their license.

(2) The report form shall be furnished by the commission and the completed report shall be received in the office of the commission or postmarked no later than 30 days following the expiration date of the license. All persons operating by virtue of a permit issued by the commission shall furnish to the licensee in conjunction with whom the permit is used, all information with respect to their own operation which is needed by the licensee to complete its report not less than ten days prior to the time the licensee is required to file his report with the commission.

(3) The report shall be signed by the highest ranking executive officer or his designee. If the report is prepared by someone other than the licensee or his employee, then the preparer shall also sign the report.

(4) The report shall be completed in accordance with the related instructions furnished with the report. ~~((The report shall include, among other items, the following:~~

- ~~—(1) The gross receipts from each separate gambling activity;~~
- ~~—(2) The total cash prizes actually paid out and the total of the cost to the licensee of all merchandise prizes actually paid out for each separate gambling activity;~~
- ~~—(3) The net receipts for each separate gambling activity;~~
- ~~—(4) Full details on all expenses directly related to each separate gambling activity;~~
- ~~—(5) The net income from each separate gambling activity; and~~
- ~~—(6) The gross receipts from the rental or leasing of space for licensed gambling activities.))~~



# Rule Up For Discussion

Proposed amendments to

**WAC 230-02-205 (2)(d)** Gambling service supplier defined.

**WAC 230-02-208 (3)** Punch board and pull-tab service business defined.

**WAC 230-04-133 (4)(b)** Punch board and pull-tab service business –  
Registration required – Procedures – Restrictions.

ITEM 8 (a) on the February 10, 2006, Commission Meeting Agenda. Statutory Authority 9.46.070(14)(20)
Who proposed the rule change?
Susan Guarascio, a licensed service supplier.
Proposed Change
The current rules require a punchboard and pull-tab service business to apply for a gambling service supplier license if their combined gross billings are more than \$20,000 during any calendar year. The petitioner requests the combined gross billings threshold be increased from \$20,000 to \$25,000.
History of Rule
This rule established a classification for punchboard/pull-tab service businesses to operate under a permit. These businesses are usually a sole proprietorship or partnership that enters into an agreement with a licensed operator to store used punchboard and pull-tab games and accompanying records. The cost of a punch board and pull-tab service business permit is \$217, with an annual renewal fee of \$53.
Currently, thirteen punchboard pull-tab recordkeeping/storage services businesses operate under a punchboard and pull-tab service business permit.
Impact of the Proposed Change
If a permit holder's combined gross billings exceed \$20,000, the permit holder is required to become a gambling service supplier. This license costs \$630 each year because the level of background scrutiny and investigation to source funds is greater than a permit investigation.
Currently, seven punchboard pull-tab recordkeeping/storage businesses are licensed as gambling service suppliers; five of these licensees have billings in excess of \$40,000, while two (including the Petitioner) have billings under \$25,000.
At this time, if the billing threshold is increased to \$25,000, Ms. Guarascio's business is one of two licensed service suppliers that could downgrade to a punchboard/pull-tab service business permit.
Regulatory Concerns
None.
Resource Impacts
Minimal.
Policy Consideration
None.
Stakeholder Statements Supporting the Proposed Rule Change
Letter from the Petitioner Susan Guarascio, a licensed service supplier, dated January 31, 2006.
Stakeholder Statements Opposing the Proposed Rule Change
None.
Licensees Directly Impacted By the Change
Two licensed service supplier (including the petitioner) and thirteen businesses that hold punchboard and pull-tab service business permits.
Staff Recommendation
Further discussion.
Proposed Effective Date for Rule Change
July 1, 2006.

## **Amendatory Section:**

### **WAC 230-02-205 Gambling service supplier defined.**

A "gambling service supplier" is any person who provides gambling related services for compensation, whether directly or indirectly.

(1) Gambling related services include at least the following:

- (a) Providing consulting or advisory services regarding gambling activities;
- (b) Providing gambling related management services;
- (c) Providing financing for purchases or leases of gambling equipment or for providing infrastructure that supports gambling operations for more than one licensee. For purposes of this section, financing by any bank, mutual savings bank, or credit union regulated by the department of financial institutions or any federally regulated commercial lending institution shall not be deemed as providing gambling related services;
- (d) Providing any other service or activity where influence may be exerted over any gambling activity licensed by the commission;
- (e) Providing assembly of components for gambling equipment under a contract with a licensed manufacturer;
- (f) Providing installation, integration, maintenance, or any other service of digital surveillance systems that allows direct access to the operating system; or
- (g) Training individuals to conduct authorized gambling activities.

(2) The term "gambling services supplier" does not include the following:

- (a) Universities and colleges that are regulated by the Washington state board of community and technical colleges and the higher education coordinating board which train individuals to conduct authorized gambling activities;
- (b) Licensed manufacturers or distributors who service and repair pull-tab dispensing devices, bingo equipment or any other authorized gambling equipment;
- (c) Attorneys, accountants, and governmental affairs consultants whose primary business is providing professional services that are unrelated to the management or operation of gambling activities; and
- (d) Persons that only provide nonmanagement related recordkeeping services for punch board and pull-tab operators, when the combined total gross billings from such services does not exceed twenty **five** thousand dollars during any calendar year.

## **Amendatory Section:**

### **WAC 230-02-208 Punch board and pull-tab service business defined.**

"Punch board and pull-tab service business" is defined as a person that provides recordkeeping services for punch board and pull-tab operators for compensation and:

- (1) The individuals are not employees of the operator;
- (2) The recordkeeping services do not include recommendations or advice of a management nature;
- (3) The combined total gross billings for such services during any calendar year does not exceed twenty **five** thousand dollars; and
- (4) The records completed are normally the responsibility of the operator. For purposes of this section, recordkeeping duties that are normally the responsibility of the operator include at least the following:
  - (a) Reconciling sales, prizes, and cash on hand for punch boards and pull-tab series;
  - (b) Completing mandatory records required by WAC 230-08-010: Provided, That recordkeeping services provided by a professional accounting business are exempt from these requirements when:
    - (i) The business performs services other than punch board and pull-tab records for the licensee;
    - (ii) The business has clients other than punch board and pull-tab licensees; and
    - (iii) The recordkeeping service only includes transcribing entries from the licensee into the required format; and/or
  - (c) Storing boards and series removed from play.

## **Amendatory Section:**

### **WAC 230-04-133 Punch board and pull-tab service business — Registration required — Procedures — Restrictions.**

It is in the public's interest to closely control gambling devices and records relating to the operation of a gambling activity. The commission must identify all individuals and businesses that have control over gambling devices, including punch boards and pull-tabs, and all records relating to the operation of gambling activities. Businesses that provide punch board and pull-tab record services, as defined by WAC 230-02-208, shall register with the commission and receive a permit prior to providing services to a licensee. The following procedures and restrictions apply to punch board and pull-tab service businesses:

(1) Each business seeking to register as a punch board and pull-tab service business shall submit a permit application on a form provided by the commission. Such application shall be complete in every respect, accompanied by proper fees, and signed by the applicant. The application shall include at least the following:

- (a) A complete description of the services provided; and
  - (b) Personal and criminal history forms for all individuals involved in providing services.
- (2) The permit shall be valid for a period not to exceed one year from the date approved.
- (3) Any changes in information provided with the application must be submitted to the commission within thirty days of change.

(4) The permit becomes void and the business must apply for a gambling service supplier license to continue providing services if any of the conditions listed below occur:

(a) The nature of the business being provided changes to include services defined in WAC 230-02-205(1); or

(b) The combined total gross billings from providing services exceeds twenty **five** thousand dollars during the permit period.

(5) The permit may be revoked by the director at any time for the following reasons:

- (a) Reasons set forth in WAC 230-04-400 or RCW 9.46.075; or
- (b) The permit holder has acted with gross negligence or intentionally misstated or manipulated a licensee's records or punch board/pull-tab games; or
- (c) Failure to produce an operator's record or copies thereof, or punch board or pull-tab games when requested by a commission agent.

(6) Immediately upon request, a punch board and pull-tab service business shall provide the commission or any of its representatives a complete list of customers and the location where records of each are maintained.

(7) If a punch board and pull-tab service business or associate of such business has any interest in a licensed manufacturer or distributor, they shall inform the commission, any operator to which they provide services, and the manufacturer or distributor of the relationship. The director may restrict the manufacturer or distributor from selling punch boards or pull-tabs to such operator.

(8) Punch board and pull-tab service business permit holders shall follow the records requirements of WAC 230-08-026 (1)(a), (c), (d), (2), and (3). In addition, such businesses shall be familiar with minimum recordkeeping requirements and availability of records for services they provide, including but not limited to WAC 230-08-010, 230-12-010 and 230-30-072.



## Rule Up For Discussion

Proposed Amendment to  
WAC 230-40-815  
Administrative and accounting control structure –  
Organization – House-banking.

ITEM 9 (a) on the February 10, 2006, Commission Meeting Agenda.  
Statutory Authority 9.46.070 & 9.46.0282

### Who proposed the rule change?

Larry Wheaton, Goldie's Shoreline Casino

### Proposed Change

Larry Wheaton submitted a Petition for Rule Change requesting that the number of tables a floor supervisor is authorized to supervise be increased from five to six tables regardless of the total number of tables open.

### Changes after the January 2006, Commission Meeting:

**Staff's Alternative** (blue paper): Staff does not support this change as worded because it is specific to the pit layout at Goldie's Casino. While considering other alternatives, staff considered removing the limit altogether and only requiring they provide adequate supervision. Staff decided against this option because they felt it would result in problems in consistently enforcing the rule and that it would not ensure a presence staff felt was necessary to prevent and detect cheating.

Staff also surveyed seven other states and found that the states which had a limit on the number of tables a supervisor could supervise limited the number to no more than six tables. However, because our current rule already allows a supervisor to supervise seven tables if only seven tables are in operation, staff did not feel it was fair to reduce the number of tables a supervisor could watch to six tables.

Therefore, staff recommends allowing floor supervisors to supervise up to seven tables as long as the floor plan has been approved by commission staff in their internal controls.

### History of Rule

Currently, WAC 230-40-815(3)(c)(ii) requires a floor supervisor in a house-banked card room be assigned the responsibility of supervising gaming at no more than five tables in the gaming pit. However, the number of tables supervised can be increased to seven tables if there are no more than seven tables open and the layout was pre-approved by Commission staff.

Floor supervisors monitor the play at each gaming table to ensure dealers follow game rules and respond to irregularities at the gaming tables. Supervisors verify activities such as buy-ins, and large payouts or jackpots. Their presence in the pit also serves as an extra set of eyes that can detect and deter cheating at the gaming tables. Their presence helps us to ensure that gaming is legal and honest.

### Impact of the Proposed Change

Under current rules, if the licensee has two gaming pits, one with six tables open and one with five tables open they must have two supervisors in the six table pit and one in the five table pit, for a total of three floor supervisors on duty. The petitioner states that the additional floor supervisors are costing him over \$75,000 a year.

Under the proposed change, the licensee would only need to have two supervisors on duty per shift. Each establishment has their pits configured differently, so the rule would have a slightly different effect on each.
<b>Regulatory Concerns</b>
<p>This change would not have an effect on our regulatory programs.</p> <p>Gambling regulatory agencies from Colorado, South Dakota, Michigan, Mississippi, Missouri, Nevada, and New Jersey were contacted to determine what their requirements were regarding supervision levels. The answer ranged from no specific requirement to one supervisor was required for every four tables in operation. Of the seven states surveyed</p> <ul style="list-style-type: none"> <li>• Three had a rule limiting the supervision level to six or fewer tables;</li> <li>• One had no limit, but also had no establishments that had more than seven tables;</li> <li>• One enforced their rule requiring they provide “adequate supervision” in a manner which determined the licensee had inadequate supervision if pit bosses supervised more than five or six tables; and</li> <li>• Two of the states had no limits.</li> </ul>
<b>Resource Impacts</b>
Staff currently monitors compliance with this rule as part of scheduled inspections that are conducted approximately two times a year. Staff may also randomly check compliance during other scheduled visits. The time needed to verify compliance is minimal and the change would have no effect on our compliance schedule.
<b>Policy Consideration</b>
None at this time.
<b>Stakeholder Statements For the Proposed Rule Change</b>
None at this time.
<b>Stakeholder Statements Against the Proposed Rule Change</b>
None at this time.
<b>Licensees Directly Impacted</b>
House-banked card rooms.
<b>Staff Recommendation</b>
Staff recommends filing staff’s alternative as an amendment to the Petition. Staff’s alternative would allow floor supervisors to supervise up to seven tables as long as the floor plan has been approved by commission staff in their internal controls.
<b>Proposed Effective Date for Rule Change</b>
The petitioner requests the change be effective 31 days from filing.

## **Amendatory Section:**

**WAC 230-40-815** Administrative and accounting control structure – Organization – House-banking.

Each licensee operating a house-banked card game shall ensure that all games are closely controlled, operated fairly and in accordance with all rules of the commission. The following control procedures and conditions shall be met:

### **Internal controls.**

(1) The licensee shall have a system of internal controls that include at least the following:

(a) Administrative controls, which include, but are not limited to, the organization's plan, procedures, and records concerned with decision processes leading to management's authorization of transactions; and

(b) Accounting controls which include the licensee's plan, procedures, and records concerned with the safeguarding of assets and the reliability of financial records. These controls must be designed to provide reasonable assurance that:

(i) Transactions are executed in accordance with management's general and specific authorization;

(ii) Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets;

(iii) Access to assets is permitted only in accordance with management's authorization; and

(iv) The recorded accountability for assets is compared with existing assets at least annually and appropriate action is taken within five working days with respect to any differences.

### **Administrative controls.**

(2) The licensee's system of administrative controls shall provide for the following:

(a) Competent personnel with an understanding of prescribed procedures;

(b) The segregation of incompatible functions so that no employee is in a position to perpetrate and conceal errors or irregularities in the normal course of his or her duties; and

(c) Each employee of a house-banked card room shall be licensed by the commission and shall be knowledgeable in all accounting and internal control practices and procedures relevant to each employee's individual function.

### **Separate departments and functions.**

(3) The licensee shall, at a minimum, establish the following departments or functions that shall be independent from all other departments or functions:

#### *Surveillance.*

(a) A surveillance department which shall not include security functions or personnel. The head of surveillance shall be responsible for, but not limited to, the following:



- (i) The clandestine surveillance of the operation and conduct of the table games;
- (ii) The clandestine surveillance of the operation of the cashier's cage;
- (iii) The video and audio recording of activities in the count rooms;
- (iv) The detection of cheating, theft, embezzlement, and other illegal activities in the gaming facility, count rooms, and cashier's cage;
- (v) The video recording of unusual or suspected illegal activities;
- (vi) The notification of appropriate supervisors and commission staff, within three working days, upon the detection of cheating, theft, embezzlement, or other illegal activities;
- (vii) Ensuring that each dealer is evaluated to determine if all required dealer procedures and techniques set forth in the licensee's approved internal controls are followed; and
- (viii) Ensuring all surveillance employees have a demonstrated knowledge of the following:
  - (A) Operating surveillance systems;
  - (B) Rules of play and procedures for the games being played; and
  - (C) The overall procedures relating to the duties of all employees of the house-banked card room being monitored (dealers, shift managers, floor supervisors, cage cashier's and count team members).

*Security.*

- (b) A security department, supervised by a security department manager, is responsible for at least the following:
  - (i) Control of cards and dealing shoes, including storage of new and used cards and shoes, and control of the disposition and/or destruction of same when removed from service; and
  - (ii) Transfer of cash and chips to and from the gaming tables, cage and count room.

*Gaming operations.*

- (c) A gaming operation department supervised by a gaming operation department manager who shall be responsible for the operation of all house-banked card games conducted by ensuring the following:
  - (i) Card games are operated by licensed dealers who are assigned to each gaming table;
  - (ii) A floor supervisor is assigned the responsibility for the overall supervision of the conduct of gaming within a pit and can supervise no more than ~~((five))~~ six tables: Provided, That a single supervisor may supervise up to seven tables, if only seven tables are in operation and the layout was preapproved by commission staff;
  - (iii) A licensee which utilizes two separate areas of a gaming establishment shall require at least one supervisor in each area; and
  - (iv) A shift manager, who reports to the gaming operation department manager, is assigned to supervise floor supervisors and all gaming related activities that occur during each shift. In the absence of the gaming operation department manager, the shift manager shall have the authority of a gaming operation department manager: Provided, That in addition to the floor supervisors required in this subsection, licensees operating more than ten tables shall be required to have a shift manager on the premises.

*Accounting.*

(d) An accounting department supervised by an individual who shall report directly to the chief executive officer or chief operations officer. The responsibilities of the accounting department shall include, but not be limited to, the following:

- (i) Implementing and monitoring of accounting controls;
- (ii) The preparation, control, and storage of records and data required;
- (iii) The control of unused forms inventory along with reconciliation of forms used; and
- (iv) The control and supervision of the cashier's cage.

**Modifications.**

(4) Any changes to the licensee's system of internal controls must be submitted to commission staff and be approved prior to implementation.

**Employees shall be informed of internal controls.**

(5) All licensed operators shall inform their card room employees of the internal controls related to their respective area of responsibility. Furthermore, both the operator and all card room employees shall follow these internal controls at all times.

## **Staff's Alternative – Up for Filing at the February 2006, Commission meeting**

### **Amendatory Section:**

**WAC 230-40-815** Administrative and accounting control structure – Organization – House-banking.

Each licensee operating a house-banked card game shall ensure that all games are closely controlled, operated fairly and in accordance with all rules of the commission. The following control procedures and conditions shall be met:

#### **Internal controls.**

- (1) The licensee shall have a system of internal controls that include at least the following:
  - (a) Administrative controls, which include, but are not limited to, the organization's plan, procedures, and records concerned with decision processes leading to management's authorization of transactions; and
  - (b) Accounting controls which include the licensee's plan, procedures, and records concerned with the safeguarding of assets and the reliability of financial records. These controls must be designed to provide reasonable assurance that:
    - (i) Transactions are executed in accordance with management's general and specific authorization;
    - (ii) Transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles, and to maintain accountability for assets;
    - (iii) Access to assets is permitted only in accordance with management's authorization; and
    - (iv) The recorded accountability for assets is compared with existing assets at least annually and appropriate action is taken within five working days with respect to any differences.

#### **Administrative controls.**

- (2) The licensee's system of administrative controls shall provide for the following:
  - (a) Competent personnel with an understanding of prescribed procedures;
  - (b) The segregation of incompatible functions so that no employee is in a position to perpetrate and conceal errors or irregularities in the normal course of his or her duties; and
  - (c) Each employee of a house-banked card room shall be licensed by the commission and shall be knowledgeable in all accounting and internal control practices and procedures relevant to each employee's individual function.

#### **Separate departments and functions.**

- (3) The licensee shall, at a minimum, establish the following departments or functions that shall be independent from all other departments or functions:

#### *Surveillance.*

- (a) A surveillance department which shall not include security functions or personnel. The head of surveillance shall be responsible for, but not limited to, the following:
  - (i) The clandestine surveillance of the operation and conduct of the table games;

- (ii) The clandestine surveillance of the operation of the cashier's cage;
- (iii) The video and audio recording of activities in the count rooms;
- (iv) The detection of cheating, theft, embezzlement, and other illegal activities in the gaming facility, count rooms, and cashier's cage;
- (v) The video recording of unusual or suspected illegal activities;
- (vi) The notification of appropriate supervisors and commission staff, within three working days, upon the detection of cheating, theft, embezzlement, or other illegal activities;
- (vii) Ensuring that each dealer is evaluated to determine if all required dealer procedures and techniques set forth in the licensee's approved internal controls are followed; and
- (viii) Ensuring all surveillance employees have a demonstrated knowledge of the following:
  - (A) Operating surveillance systems;
  - (B) Rules of play and procedures for the games being played; and
  - (C) The overall procedures relating to the duties of all employees of the house-banked card room being monitored (dealers, shift managers, floor supervisors, cage cashier's and count team members).

#### *Security.*

- (b) A security department, supervised by a security department manager, is responsible for at least the following:
  - (i) Control of cards and dealing shoes, including storage of new and used cards and shoes, and control of the disposition and/or destruction of same when removed from service; and
  - (ii) Transfer of cash and chips to and from the gaming tables, cage and count room.

#### *Gaming operations.*

- (c) A gaming operation department supervised by a gaming operation department manager who shall be responsible for the operation of all house-banked card games conducted by ensuring the following:
  - (i) Card games are operated by licensed dealers who are assigned to each gaming table;
  - (ii) A floor supervisor is assigned the responsibility for the overall supervision of the conduct of gaming within a pit and can supervise no more than ~~((five))~~ seven tables as long as the floor plan ~~(: Provided, That a single supervisor may supervise up to seven tables, if only seven tables are in operation and the layout))~~ was ~~((preapproved))~~ approved by commission staff in the Internal Controls;
  - (iii) A licensee which utilizes two separate areas of a gaming establishment shall require at least one supervisor in each area; and
  - (iv) A shift manager, who reports to the gaming operation department manager, is assigned to supervise floor supervisors and all gaming related activities that occur during each shift. In the absence of the gaming operation department manager, the shift manager shall have the authority of a gaming operation department manager: Provided, That in addition to the floor supervisors required in this subsection, licensees operating more than ten tables shall be required to have a shift manager on the premises.

#### *Accounting.*

- (d) An accounting department supervised by an individual who shall report directly to the chief executive officer or chief operations officer. The responsibilities of the accounting department shall include, but not be limited to, the following:

- (i) Implementing and monitoring of accounting controls;
- (ii) The preparation, control, and storage of records and data required;
- (iii) The control of unused forms inventory along with reconciliation of forms used; and
- (iv) The control and supervision of the cashier's cage.

**Modifications.**

(4) Any changes to the licensee's system of internal controls must be submitted to commission staff and be approved prior to implementation.

**Employees shall be informed of internal controls.**

(5) All licensed operators shall inform their card room employees of the internal controls related to their respective area of responsibility. Furthermore, both the operator and all card room employees shall follow these internal controls at all times.